

**Report on Estimating System
And Internal Controls
Follow-up Audit**

December 2001

Reference No. 2002-1C-036

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 11, 2001

MEMORANDUM FOR DAVID A. GRANT
DIRECTOR OF PROCUREMENT
INTERNAL REVENUE SERVICE

Michael R. Phillips

FROM: (for) Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Report on Estimating System and Internal Controls Follow-up
Audit (Audit No. 200210002.014)

The Defense Contract Audit Agency (DCAA) has performed a second follow-up examination of the contractor's estimating system to determine if the contractor has fully corrected conditions previously reported in audit reports dated February 9, 2001, and September 21, 1998. The DCAA follow-up examination specifically tested the estimating system's internal control procedures associated with the following control objectives: management reviews, cost estimate development, and cost or pricing data certification.

The DCAA noted that although improvements have been made, the contractor's estimating system and related internal control policies and procedures continue to be inadequate, in part due to the contractor's failure to fully implement planned corrective actions provided in response to the audit report dated February 9, 2001. Furthermore, the DCAA continues to recommend partial disapproval of the contractor's estimating system.

In summary, the DCAA considers the contractor's estimating policies and procedures to be inadequate in part to ensure that proposals and final certified contract prices are based on accurate, complete, and current cost or pricing data.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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